

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6226**

**BILL NUMBER:** HB 1718

**NOTE PREPARED:** Jan 11, 2009

**BILL AMENDED:**

**SUBJECT:** Sales Tax Increment Financing.

**FIRST AUTHOR:** Rep. Stilwell

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** The bill authorizes Warrick County to establish an economic development project district. It provides that the Indiana Economic Development Corporation performs the duties of the State Board of Finance when establishing an economic development project district for the county. The bill increases the maximum term of bonds and leases for an economic development district from 20 to 25 years.

**Effective Date:** July 1, 2009.

**Explanation of State Expenditures:** Under the bill, the Department of State Revenue (DOR) would have to calculate the gross retail incremental amount for the Warrick County sales tax increment financing (STIF) district authorized under the bill. In addition, the Indiana Economic Development Corporation (IEDC) is given approval and oversight responsibilities relating to the Warrick County STIF district. Both agency's current level of resources should be sufficient to implement these tasks.

**Explanation of State Revenues:** The bill authorizes the establishment of a sales tax increment financing (STIF) district in Warrick County. The STIF district would have to reviewed and approved by the Indiana Economic Development Corporation. If approved, the STIF district would reduce Sales Tax collections deposited in all the funds in the current Sales Tax distribution formula by an indeterminable amount. This would occur as Sales Taxes from retail transactions within the proposed Warrick County STIF district are diverted from state funds to the STIF fund for the district. The net revenue impact of diverting the Sales Tax collections to the Warrick County STIF district depends on the extent that additional tax collections from retail activity and employment attributable to the investment in the STIF district is less than or exceeds the amount of Sales Tax collections diverted to the district's STIF fund. However, if the investment would have occurred in the absence of the STIF district, the state incurs a revenue loss equal to the total amount of Sales

Tax collections diverted to the district's STIF fund.

Sales Tax collections are currently deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.67%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%). The revenue that would have been deposited in these funds will be deposited in the Warrick County STIF fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** The bill extends the current STIF law to include a STIF district in Warrick County. All Sales Tax revenue diverted to the Warrick County STIF district is required to be deposited in district's STIF fund. Current statute authorizes STIF districts in Hammond, South Bend, Fort Wayne and Evansville. So far, no STIF districts have been established. The Warrick County district must be located completely or in part on reclaimed coal land near the Blue Grass Fish and Wildlife Area and I-164. The proposed district must be at least 100 yards from the boundaries of the Fish and Wildlife Area. The project is being pursued by the Hoosier Heritage Youth Foundation and calls for the development of Village Earth Interpretative Center at the site. The proposal calls for the construction of a multi-faceted tourist attraction anchored by the interpretative center, including plans for lodging, dining, and retail facilities, an aquarium, and other attractions.

Under the bill, the Warrick County STIF district must be approved by the IEDC. Current statute requires other proposed STIF districts to be approved by the State Board of Finance.

The bill allows money in the STIF fund to be used for the following project costs relating to the Warrick County STIF district:

- (1) The total cost of acquisition of all land, rights-of-way, and other property to be acquired, developed, or redeveloped for the project.
- (2) Site preparation, including utilities and infrastructure.
- (3) Costs associated with the construction or establishment of a museum and education complex that is owned or leased by a tax exempt not-for-profit entity.
- (4) Road, interchange, and right-of-way improvements.
- (5) Public parking facilities.
- (6) All reasonable and necessary architectural, engineering, legal, financing, accounting, advertising, bond discount, and supervisory expenses related to the acquisition and development or redevelopment of the property or the issuance of bonds.
- (7) Debt service, lease payments, capitalized interest, or debt service reserve for the bonds to the extent the commission determines that a reserve is reasonably required.

**State Agencies Affected:**

**Local Agencies Affected:** Warrick County Redevelopment Commission.

**Information Sources:** Commission on State Tax and Financing Policy, August 27, 2008 meeting minutes.

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